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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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January 10, 2012

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**SECRETARY, BOARD OF
OIL, GAS & MINING**

TO: The Board of Oil, Gas and Mining

FROM: John Rogers, Associate Director, Oil & Gas
Dustin Doucet, Petroleum Engineer *DKD*
Brad Hill, Permitting Manager/Geologist *BH*
Cinton Dworshak, Compliance Manager/Geologist *CD*

RE: Staff Memorandum to the Board for Docket No. 2012-007, Cause No. 277-01

The Oil & Gas staff of the Division of Oil, Gas and Mining (Division) has reviewed the referenced matters which will be presented to the Board of Oil, Gas and Mining (Board) during the January 25, 2012, hearing. With this memorandum, the Division summarizes its consideration of the matter.

Summary of Requests for Agency Action

Berry Petroleum Company (Berry), with legal representation by A. John Davis and Mark L. Burghardt of Holland and Hart, LLP is requesting an order from the Board to establish a permanent 640 acre drilling unit for the horizontal well, the Foy Tribal 12H-33-55, for the production of oil and gas from the lower Green River Formation in Section 33, Township 5 South, Range 5 West, USM (subject lands) (Exhibit D). Ownership in the subject lands consist of Ute Indian and private (fee) lands. All of the mineral interest underlying the subject lands has been leased by Berry and they own a majority of the working interest in the leases.

Currently, only one vertical well, the Ute Tribal 4-33-55, is producing from the subject lands (Exhibit D). The Foy Tribal 12H-33-55 well has been spudded (10/12/2011) and is expected to begin production soon. Both subject wells will be producing from the Lower Green River Formation.

The subject lands are currently not subject to any spacing order from the Board. The wells have been located in accordance with Oil and Gas Conservation Rule 649-3-2, location and siting of vertical wells and statewide spacing for horizontal wells.

The Oil and Gas Conservation Rule 649-3-2(6) establishes a temporary 640 acre spacing unit for a horizontal well. A temporary spacing unit is not a drilling unit and cannot be the basis for the pooling of interest. Since the subject land is on both Tribal and fee, a permanent spacing order is necessary before a communitization agreement can be established and the interest pooled. The requested permanent horizontal spacing unit will only be applicable for the horizontal well. Berry will site future vertical wells in accordance to the Oil and Gas Conservation Rule 649-3-2.



Comments from Staff Review of Request

Both subject wells will produce from the Lower Green River Formation. Berry should discuss, at the hearing, the geology and stratigraphy of the Lower Green River Formation and explain in more detail which intervals will be produced in the horizontal well (Foy Tribal) and its stratigraphic relationship to the producing units in the vertical well (Ute Tribal). Berry should also discuss if they intend to produce from any Green River zones above the horizontal portion of the Foy Tribal well.

Staff Recommendation

The staff has reviewed the submitted Request and exhibits and finds no issues with the proposal other than those outlined in this memo. We will participate in the hearing, listen to testimony given, and ask questions if necessary for clarification. Upon Berry's testimony further supporting the proposal and no unforeseen issues, the Division would recommend approval of the Request.

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing STAFF MEMORANDUM for Docket No. 2012-007, Cause No. 277-01 to be mailed with postage prepaid, this 12th day of January, 2012, to the following:

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